



Enterprise **R**esource **P**l Fast Start Kit

Overview

- **ERP definition**
- **DCMC/DCAA/Industry study group**
- **DCMA guidance**
- **Recommendations for Industry/Govt**
- **Implementation/consequences**
- **Lessons learned**
- **What's in it for Government**
- **Risk management**
- **Planned HQ involvement**
- **Summary**

Definition

ERP is a method for the effective planning and control of all resources needed to take, make, ship, and account for customer orders in a manufacturing, distribution, or service company.¹

- ***It's an integrated business management information system that automates and links enterprise operational components.***
- ***It's an information conduit for the entire company.***

What it isn't!

- ***Easy and cheap to implement***
- ***A replacement for good management practices***

- **August 1998** - Joint group recommended to examine ERP and identify common questions/concerns as a result of DCMC/DCAA/Industry Crosstalk meeting
- **November 1998** - Charter signed by DCMC and DCAA
- **April 1999** - Analysis and assessment completed

Study Conclusions

- **Use Management Councils and Teaming Agreements with suppliers**
- **Implementation approach and employee training are critical to success**
- **Early indications show no statutory or regulatory impediments**
- **Cultural challenge significant**
- **Early Government involvement is essential**

DCMA Guidance

- **Engage Customers and Stakeholders early in the process**
- **Review proposed process changes**
- **Ensure validity and accuracy of data**
- **Review planned changes to supplier's financial disclosure statement**
- **Use teaming approach and participate in:**
 - **ERP planning and strategy sessions**
 - **Meetings with DCAA and suppliers**

DCMA Role

- **Use Management Council process in deployment phases to resolve ERP issues**
- **Utilize Risk Management guidance when assessing supplier changes to processes**
- **Send all CMO lessons learned to district ERP focal points**

Recommendations For Industry

- **Share best practices**
- **Examine possible civil/military integration of supplier, Government, and software supplier ERP systems**
- **Encourage user groups workshops/conferences**
- **Use the Management Council as a means to establish ground rules for teaming and involving customer**

Recommendations For Govt

- **Early involvement in implementation**
- **Increase communication**
- **Improve training**
- **Emphasize current risk management and auditing approaches**
- **Encourage system access**

Implementation/Consequen

➤ Properly implemented ERP systems will help suppliers to more effectively manage key business drivers

Cost

Quality*

Lead-time / delivery

*** Including lifetime product configuration**

➤ However, effective implementations may affect suppliers current processes

Accounting

Estimating

Purchasing

Production management

Configuration management

Quality

Property

Lessons Learned

- **ERP costs a lot of money**
- **Top management understanding and support needed**
- **Must have clear understanding of business processes prior to ERP implementation**
- **May require a paradigm shift**
- **Installations take time, no instant fix**

Implementation --- **Problems**

- A large company delayed implementation of an ERP system after spending in excess of \$200 million (based on high cost to start and sector reorganization)

- A supplier gave up ERP implementation stating they were overwhelmed by the organizational changes involved

Implementation Problems

- A supplier faced delays in shipping its product since switching to an ERP system. The United States was the sixth country in which a supplier installed ERP software, and in each country the supplier ran into similar problems following installation.

- A manufacturer had initial problems producing earned value data which adversely affected customers

What's In It for Government

- Improvement in meeting DOD goals for reducing cycle times and acquisition cost
- Support Paper Reduction Act through data access
- Information integration could reduce the number of Government reviews
- Potential for development of shorter lead-times for contract closeout and overhead settlements

Risk Management

- **ERP system implementation is high risk.** This requires that suppliers and DCMA have an agreed to contingency plan for Risk Management.
- **Some areas to watch:**
 - **Earned Value Management**
 - **DD250 Process**
 - **Data Conversion**
 - **System Testing**

Planned HQ Involvement

- Improve field guidance and education on ERP
- Obtain feedback and publish lessons learned
- Move to encourage strategic supplier agreements for ERP
- Continue to work with industry
- Leverage ERP enabled processes to implement other related DOD initiatives (i.e. Integrated Digital Environment)

Summary

- **Early Government Involvement Is Essential**

- **Communicate Using Management Councils**

- **Establish Teaming Agreements With Suppliers**

- **Keep Customers Informed**